



1.1.7) Interest earned on Outstanding Debtors – An amount of R6.3 Million has been allocated. This income being derived from raising of interest on the services accounts. The interest rates on arrear accounts to be charged at 10.25% per annum in accordance with the National Credit Act, in respect of arrear accounts arising after 1 November 2016. Arrear accounts arising before 31 October 2016 to be charged at an interest rate of 9% p.a.

1.1.8) Fines – An amount of R13.3 Million has been allocated.

1.1.9) Licencing and Permits - An amount of R2.7 Million has been budgeted.

1.1.10) Agency Services – An amount of R2.7 Million has been budgeted.

1.1.11) Grants Operating

The following operating grants have been included in the Budget:

Museum Subsidy	R 152 000
Community Library Services Grant	R 1 467 000
Provincialisation of Libraries	R 4 779 000
Financial Management Grant	R 2 500 000
Expanded Public Works Programme	R 3 930 000
Operational Cost – Accredited Municipality	R 3 060 000
Infrastructure Skills Development Grant	R 3 393 000
Building Plans Information Management System	R 500 000
<b>Total</b>	<b><u>R19 781 000</u></b>

1.1.12) The Local Government Equitable Share, received from Central Government, in the amount of R 232.7 Million has been budgeted for, as per DORA's allocation for the 2019/2020 financial year.

1.1.13) Capital Grants - This includes the following:

MIG	R 61.7 m
Infrastructure – Sport Facilities	R 8.2 m
Accreditation Subsidy	R 500 k
Museum Subsidy	R 50 k
Provincialisation of Libraries	R 500 k
Infrastructure Skills Development Grant	R 107 k
<b>Total</b>	<b><u>R 71.1 m</u></b>

1.1.14) Other revenue in the amount of R4.3 Million which includes the income generated from the minor tariffs e.g. connection/disconnection fees, building plans, fire brigade services, rates clearance, photocopies, burial fees etc.

## 1.2 BUDGETED EXPENDITURE: R923 MILLION (EXCLUDING UNFUNDED DEPRECIATION)

### 1.2.1) Gross Salaries and Allowances – R382.9 Million

1.2.1.1) The R 302.9 Million reflects the cost to Council packages of all existing staff and budgeted staff vacancies.

1.2.1.2) An estimated increase of 6.5% has been budgeted as per the South African Local Bargaining Council agreement.

- 1.2.1.3 An amount of R 5.2 Million has been budgeted for Overtime and R 4.1 Million has been budgeted for Standby.
- 1.2.1.4 An amount of R 13.9 Million has been allocated for Job Creation and an amount of R3 Million has been allocated for the Expanded Public Works Program.
- 1.2.1.5 An amount of R800 Thousand has been budgeted for Finance Interns which has been funded by the Financial Management Grant.
- 1.2.1.6 An amount of R3 Million has been budgeted for Library employees which has been funded by the Provincialisation of Libraries.
- 1.2.1.7 An amount of R1.5 Million has been budgeted for Cyber Cadets which has been funded by the Community Library Services Grant.
- 1.2.1.8 An amount of R1.4 Million has been budgeted for overtime, standby and salaries in the Human Settlements Section which has been funded by the Accreditation subsidy.
- 1.2.1.9 An amount of R50 Thousand has been budgeted for overtime in the Museum section which has been funded by the museum subsidy.
- 1.2.1.10 An amount of R2.2 Million has been budgeted for Infrastructure and Town Planning interns which has been funded by the Infrastructure Skills Development Grant.
- 1.2.1.11 Youth Mass Skilling has been budgeted for at R1.2 Million.
- 1.2.1.12 R852 Thousand has been allocated for Employees' Bonus Provision.
- 1.2.1.13 R799 Thousand has been allocated for the performance bonuses of Section 57 employees.
- 1.2.1.14 R5.4 Million has been allocated for pensioners' medical aid. The pensioners' medical aid being a post retirement benefit for ex-employees of the municipality.
- 1.2.1.15 R5.6 Million has been allocated for leave reserve.
- 1.2.1.16 R2.7 Million has been allocated for long service awards.
- 1.2.1.17 Councillor Remuneration – R 28.4 Million has been budgeted and includes a 6.5% increase, however, the actual final percentage increase is normally finalized in December for Councillors remuneration. Although this estimated increase is above inflation of 5.2%, the municipality chose to use the South African Local Bargaining Council circular as a guideline since increases may not always be within the inflationary projections. Traditional Leaders' Allowances have been budgeted for at R50 Thousand.
- 1.2.1.18 Total Gross Salaries and Allowances, for employees and Councillors totalling R382.9 Million amounts to 36% of the total projected expenditure including unfunded depreciation, it further be noted that R 45.6 Million would be used for direct labour costs charged out to repairs and maintenance and capital projects that may require in-house labour.

1.2.2 Other Operating Expenditure – R 690 Million which includes the following:

- 1.2.2.1) Electricity Bulk Purchases - The projected increase for Electricity purchases has been based on 15.63%, which is as per the NERSA guideline. This amounts to an estimated amount of R275 Million and includes a margin for uncertainty of demand.
- 1.2.2.2) Consultants and Professional Services: Other - R 3.9 Million has been provided for which included Assets Management, Valuation Roll, infrastructure and services, electricity consultants etc.
- 1.2.2.3) Legal expenses for the municipality reflect a budget of R 2.7 Million. These funds are being used by the legal section in the implementation of the legal process for the collection of arrear debt, as well as legal expenses that may arise from defending lawsuits should any occur.
- 1.2.2.4) Buildings and Facilities – An amount of R 1.4 Million has been allocated to be used for repairs and maintenance to municipal buildings.
- 1.2.2.5) Maintenance of Equipment – An amount of R 2.3 Million has been allocated to be used for repairs and maintenance to municipal equipment.
- 1.2.2.6) Maintenance of Unspecified Assets – An amount of R3.9 Million has been allocated to be used for repairs and maintenance of all other municipal assets i.e. swings, sports infrastructure, IT hardware, Klip River maintenance etc.
- 1.2.2.7) Maintenance of Vehicles – An amount of R14.6 Million has been budgeted for repairs and maintenance of vehicles within all departments.
- 1.2.2.8) Sports and Recreation – An amount of R 650 Thousand has been allocated and includes SALGA Games and Sports Events.
- 1.2.2.9) Youth Programmes – These being Mayoral projects and includes programmes such as Youth Development, Youth Advisory Centre, Youth Month and Learner Support Grant in Aid. R 1.1 Million has been allocated.
- 1.2.2.10) Other Programmes – An amount of R 4 Million has been allocated for this item which is being used to fund the costs of hosting functions being arranged by the Office of the Mayor.
- 1.2.2.11) Other Contracted Services - Comprises of the amount of R 1.2 Million which includes in this category of expenditure other ad-hoc items e.g. festive lights, pest control etc.
- 1.2.2.12) Training - These funds being used by employees to attend training workshops, as well as to enrol at tertiary institutions to further their education for which an amount of R1.4 Million has been allocated, inclusive of funds for capacity building of Councillors.
- 1.2.2.13) Other Programmes – An amount of R1.5 Million has been allocated for all programmes within the municipality i.e. Battlefields Festival, Senior citizens, gender upliftment, enterprise development, reed celebration, disability focus, HIV/AIDS Campaign etc.
- 1.2.2.14) Security Services – An amount of R 9.5 Million has been allocated for sites, bodyguards, and cash in-transit services.
- 1.2.2.15) Inventory consumed – An amount of R1 Million has been allocated and includes plastic bags, toilet paper, chemicals etc.

- 1.2.2.16) Materials and Supplies – An amount of R28.3 Million has been allocated to purchase materials used for road maintenance, stormwater, metering, electrical refurbishment, cleaning materials, emergency relief etc.
- 1.2.2.17) R1.4 Million has been allocated for operating lease of furniture and office equipment (rental of photocopy machines).
- 1.2.2.18) An amount of R840 Thousand has been allocated for advertising in local and national newspapers, publicity, and marketing.
- 1.2.2.19) Bank Charges - An amount of R1.5 Million has been allocated.
- 1.2.2.20) Bulk Discount - An amount of R1.3 Million has been budgeted for bulk consumers who pay in advance.
- 1.2.2.21) Commission – Prepaid Electricity- An amount of R2.7 Million has been allocated.
- 1.2.2.22) Postage Services - This amount includes the bulk postage of municipal accounts, as well as the individual postage costs incurred by the departments for which an amount of R 2.6 Million has been allocated.
- 1.2.2.23) Telephone and Fax – An amount of R3.8 Million has been allocated to fund the payment of Telkom and cellular phone accounts.
- 1.2.2.24) R145 Thousand has been allocated for the landfill site.
- 1.2.2.25) R107 Thousand has been allocated for entertainment.
- 1.2.2.26) Audit Fees - An amount of R 5 Million has been allocated for the payment of audit fees charged by the Auditor-General.
- 1.2.2.27) External computer services have been budgeted for at R7.9 Million which would be used for the financial system, ICT support, website maintenance, internet, software database etc.
- 1.2.2.28) Insurance – An amount of R4.8 Million has been budgeted for insurance.
- 1.2.2.29) Licences – agency fees an amount of R706 Thousand has been allocated to pay for prepaid licence fees, radio licences, valuation licences etc.
- 1.2.2.30) Motor Vehicle Licence and Registrations – An amount of R1.2 Million has been allocated.
- 1.2.2.31) R1.3 Million has been budgeted for the provision of free basic alternate energy to be utilised by the Electricity Section of the Department Technical and Infrastructural Services.
- 1.2.2.32) Free Basic Electricity of R 9 Million has been set aside to fund indigent consumers who receive the 50kWh free electricity.
- 1.2.2.33) Streetlights – An amount of R 7 Million has been allocated for the payment of the electricity accounts for streetlights in the municipal area.

- 1.2.2.34) Municipal services – An amount of R10.8 Million has been allocated for the payment of the municipality's electricity account paid to Eskom, water & sewerage bills paid to the uThukela District Municipality and refuse accounts.
- 1.2.2.35) Printing and Stationery – An amount of R2.9 Million has been allocated which is being used for printing costs and stationery.
- 1.2.2.36) Membership and Subscription - An amount of R3.4 Million has been allocated for payment to SALGA and tourism subscription and membership fees.
- 1.2.2.37) Conferences and Delegations – An amount of R2.1 Million has been allocated. These funds being used by the municipality for the attendance of conferences, workshops and seminars which includes accommodation and travelling costs.
- 1.2.2.38) Protective Clothing - An amount of R 2.7 Million has been allocated for the purchase of protective clothing for the job creation workers, as well as for permanent staff members.
- 1.2.2.39) R12.2 Million has been budgeted for transport costs (fuel and oil and vehicle trackers) to run the vehicles within all the departments.
- 1.2.2.40) SARS Skills Development Levy - An amount of R 2.7 Million has been budgeted to be paid to SARS for the development of skills, noting that these funds could be claimed from the SETA when the municipality incurs training costs.
- 1.2.2.41) An amount of R2.6 Million has been allocated for the payment of Workmen's Compensation, bring a legislative requirement.
- 1.2.2.42) Labour Charge Outs – An amount of R45.6 Million has been allocated for charge outs to repairs and maintenance in respect of employees who execute the repairs and maintenance duties. This being a costing element whereby a portion of the salaries budget was allocated to repairs and maintenance projects.

**1.2.3) Departmental Charges – R62.4 Million:**

These being internal charges and recovered via the charge-out rate. The net effect of these internal charges against the charge-out rate being R nil.

Departmental Charges	R62.4 Million
Total Charge outs	(R62.4 Million)

**1.2.4) Capital Charges – R35.5 Million which includes the following:**

Depreciation	R 32.6 Million
Existing External Loans	R 430 Thousand
Impairment of Assets	R 2.4 Million

Depreciation charges being a GRAP 17 requirement. The total depreciation charges being estimated at R 180.7 Million.

To fund the total estimated depreciation of R 180.7 Million would result in tariffs being very high and unaffordable to the consumers. National Treasury recognises this in the MFMA Circular 42 – funding a municipal budget. A phased increase or re-alignment in tariffs may need to be considered to compensate the deficit to a surplus by a progressive move through gradual tariff increases or the re-alignment of municipal revenue.

The community needs to make sufficient contribution towards the economic benefit that is being generated from the assets over the medium-term budget period.

Currently, the municipality has opted to fund R 32.6 Million of the total depreciation expense.

#### Loan Repayments

The municipality currently has two loans to service for the Tsakane Substations with ABSA Bank and the Indaka Office Building with the Development Bank of South Africa (DBSA) respectively. The budgeted figure of R430 Thousand has been provided.

#### Impairment of Assets

This relates to asset impairment in terms of GRAP 17. The estimated budgeted figure of R 2.4 Million has been provided.

#### 1.2.5) Contributions - R 64.7 Million which includes the following:

Bad Debt Reserve	R 58.9 Million
Rates Reduction: Pensioners/ Disabled/ Medically Boarded Persons and Child Headed Households	R 3.1 Million

A twenty five percent (25%) rates reduction for pensioners to be granted to any pensioner aged sixty (60) years and older on application if the pensioner's gross household income was R20 000 and less. This reduction must be applied for in the 2019/2020 financial year.

A medically boarded person with a gross household income of R20 000 and less to receive a discount of twenty five percent (25%) on their rates assessment. This reduction must be applied for in the 2019/2020 financial year.

Disabled persons with a gross household income of R20 000 and less to receive a discount of twenty percent (25%) on their rates assessment. This reduction must be applied for in the 2019/2020 financial year.

Child headed households to receive a discount of one hundred percent (100%) on their rates assessment. This reduction must be applied for in the 2019/2020 financial year.

A discount of 10% to be granted to all owners of property (except for State) who would pay their rates in advance in full by 31 August 2019.

R100 000 impermissible rebate on the market value to be applicable to all residential properties.

#### 1.3 CAPITAL BUDGET: 2019/2020

The Capital Budget of R89.1 Million will be funded as follows:

- R 71.1 Million from grant funding
- R 18 Million from revenue (Council) funding.

The capital programme has been separated into eight clusters.

#### **Identified Priority Projects:**

● Streetlight in Ward 13 (MIG)	R 2.0 m
● High Mast Lights in Ward 11 (MIG)	R 2.0 m
● Tarred Road in Ward 1 & 2 (MIG)	R15.0 m
● Mini Facility Ward 24 (MIG)	R 2.0 m
● Gravel Road in Ward 16 and 18 (MIG/Council)	R 5.0 m
● High Mast Lights in Ward 17 (MIG)	R 2.0 m
● Indoor High Performance Fitness Centre (Sport Infra Grant)	R 8.2 m
● Tarred Road in Ward 9 (MIG)	R 8.0 m
● Maliba Access Road – MIG	R 3.5 m

● KwaNgubevu Road (MIG)	R 3.5 m
● Oqungweni Road (MIG)	R 3.5 m
● Uitval Community Hall (MIG)	R 5.0 m
● Ekuvukeni Tar Road (MIG)	R 8.0 m
● High Mast Lights in Ward 34 (MIG)	R 3.7 m
● Electrification of Households – Wards 6,7,11,20,25,27 & 29 250 Connections (INEP)	R 3.5 m
● Electrification of Households – Wards 16,18 & 19 225 Connections (INEP)	R 3.2 m
● Electrification of Households – Wards 14 & 23 300 Connections (INEP)	R 4.3 m
● Renovations to Vaalkop Community Hall (Council)	R 2.0 m
● Furniture and Equipment (Grant/Council)	R 2.2 m
● Refurbishments (Council)	R 3.5 m
● Replacement of Municipal Fleet (Council)	R 5.0 m
● Two way radio communication repeater (Council)	R 2.0 m
● Refuse Containers Indaka (Council)	R 0.5 m
● Municipal Fleet Insourcing of Machinery (Council)	<u>R 2.5 m</u>
Less INEP Grant	<u>R 100.1 m</u>
<b>TOTAL</b>	<u>(R 11.0 m)</u> <b>R89.1 m</b>

1.3.1 That it be noted that Council's contribution for the 2019/2020 Capital Budget was R18 Million; due to the cash flow constraints of the Municipality, spending on both the Operating and the Capital Budget should be monitored through regular monitoring of the cash flow.

1.3.2 That it be noted that the Municipality has seen a downward trend in revenue collection due to the poor economic climate both locally and nationally.

1.3.3 That it be noted that the Municipality, in its Integrated Development Plan (IDP), should focus strictly on Revenue generating projects that would bring in additional income to the Municipality rather than continuing with Social projects that need to be subsidized, and also become a financial burden as they increase the fixed costs of the Municipality.

Category	Tariff	Exemption	Phasing In	Impermissible Value Per Property (R) )	Rebate
Residential	0.01280	No	No	100 000	No
Commercial and Business	0.02243	No	No		No
Industrial	0.01443	No	No		No
Farms: Agriculture	0.00311	No	No		No
Public Service Infrastructure	0.00000	Ye	No		No
Vacant Land	0.04616	No	No		No
Rural Communal	0.00000	Ye	No		No
Municipal Properties	0.00000	Ye	No		No
State (Public Service Purposes)	0.02823	No	No		No

Public Organisations	Benefit	0.0000	Ye	No		No
Religious (Place of Public worship)		0.0000	Ye	No		No
Public Open Space		0.0000	Ye	No		No
Municipal Vacant Land		0.0000	Ye	No		No

1.3.4 That the IDP also focus more on the renewal and upgrading of infrastructure as opposed to constructing new capital projects.

1.3.5 That it be noted that it was highlighted that Council approved all projects that are being Grant funded only and R18 Million would be Council funded for the replacement of municipal fleet, furniture and equipment and electrical refurbishment, and other projects as detailed above, subject to the availability of funds.

## **PART 2**

### **2. BUDGET RELATED RESOLUTIONS**

2.1. That the final annual budget of the municipality for the financial year 2019/2020; and indicative for the two projected outer years 2020/2021 and 2021/2022 be approved as set-out in the following schedules:

- 2.1.1. Table A1 Budget Summary.
- 2.1.2. Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification).
- 2.1.3. Table A3 Budgeted Financial Performance (revenue and expenditure by Municipal vote).
- 2.1.4. Table A4 Budgeted Financial Performance (revenue and expenditure).
- 2.1.5. Table A5 Budgeted Capital expenditure vote, standard classification, and funding.
- 2.1.6. Table A6 Budgeted Financial Position.
- 2.1.7. Table A7 Budgeted Cash flows.
- 2.1.8. Table A 8 Cash backed reserves/ accumulated surplus reconciliation.
- 2.1.9. Table A9 Asset Management.
- 2.1.10. Table A 10 Basic service delivery measurement.

2.2 That property rates, as reflected below and any other municipal tax reflected in **Annexure 1 on the ‘Tariff Policy’ and Annexure 3 on the ‘Municipal Property Rates Policy’** be imposed, and be implemented in the 2019/2020 budget year.

2.3 That the following property rates tariffs apply in the jurisdiction of the Alfred Duma Local Municipality (KZN238):

- 2.3.1 That the refuse tariffs be increased by 6% with effect from 1 July 2019 in terms of Chapter 4 of the Municipal Finance Management Act No 56 of 2003; noting that the detailed tariffs are being shown in the **Tariff policy as per Annexure 1** which has been attached to the agenda.
- 2.3.2 That should it be necessary, a Municipal Adjustments Budget be prepared in accordance with Section 28 of the Municipal Finance Management Act No 56 of 2003.

- 2.3.3 That funds from the electricity surplus be applied to fund other municipal expenditure.
- 2.3.4 That interest of 10.25% per annum on arrear debt be charged in respect of arrear accounts arising after 1 November 2016 and interest of 9% per annum be charged on arrear debt arising before 31 October 2016.
- 2.3.5 That tariffs and charges reflected in **Annexure 1- ‘Tariff Policy’** be approved for the 2019/20 budget year.
- 2.3.6 That the measurable performance objectives for revenue from each source and for each vote reflected in **Supporting Table SA7** be approved for the 2019/2020 budget year.
- 2.3.7 That the following budget-related policies, **as attached in Annexures 1 to 13** be adopted:
  - Credit Control, Debt Collection and Customer Care Policy
  - Indigent Policy
  - Cash Management and Investment Policy
  - Supply Chain Management Policy
  - Tariffs Policy
  - Municipal Property Rates Policy
  - Virements Policy
  - Assets Management Policy
  - Inventory Management Policy
  - Petty Cash Management Policy
  - Subsistence and Travelling Management Policy
  - Funding, Reserves and Provision Policy
  - Budget Policy
  - Accounting Policies.
- 2.3.8 That Pensioners sixty (60) years of age or older and with a gross household income of R20 000 and less receive a discount of 25% on their rates assessment; noting that this rebate must be applied for during the 2019/2020 financial year.
- 2.3.9 That Medically Boarded persons with a gross household income of R20 000 and less receive a discount of 25% on their rates assessment; noting that this rebate must be applied for during the 2019/2020 financial year.
- 2.3.10 That Disabled persons with a gross household income of R20 000 and less receive a discount of 25% on their rates assessment; noting that this rebate must be applied for during the 2019/2020 financial year.
- 2.3.11 That Child headed households with a gross household income of R20 000 and less receive a discount of one hundred percent (100%) on their rates assessment; noting that this rebate must be applied for in the 2019/2020 financial year.
- 2.3.12 That Consumers, excluding State be granted a 10% discount should the total rates bill be paid in full in advance by the last working day in August 2019 for the 2019/2020 budget year.

- 2.3.13 That indigents must apply for indigency, noting that Automatic Indigency was no longer applicable.
- 2.3.14 That the electricity tariffs be increased by 13.07% for domestic and commercial consumers and 15.63% for Bulk consumers; the electricity tariffs being subject to approval by NERSA. The tariffs being detailed in the **Tariff Policy as per Annexure 1 attached to the Item**. The draft tariff document that was submitted to NERSA for final approval has been attached as **Annexure 14 attached to the Item**.
- 2.3.15 That the Tariff Policy be updated accordingly in respect of final electricity tariffs once approved by NERSA.
- 2.3.16 That the final budget be submitted to National and Provincial Treasury in accordance with all applicable legislation.
- 2.3.17 That the capital programme funded from Council revenue be funded from accumulated surpluses, based on the availability of cash funds.
- 2.3.18 That the Implementation of the capital programme be subject to the availability of funds.
- 2.3.19 That the feedback letter from Provincial Treasury on the draft 2019/2020 budget, together with the responses as **per Annexure 15 attached to the Item** be noted and a response letter be submitted to Provincial Treasury.

SIGNED AT LADYSMITH ON 30 MAY 2019



S S NGIBA  
MUNICIPAL MANAGER